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FUTURE DEVELOPMENT CHALLENGES TO THE ANCHOR TENANT
ORTHODOXY IN RETAIL CENTERS.

by

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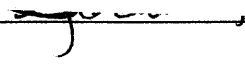
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DEDICATION

This thesis is dedicated to my family. Without the unyielding support that I have recieved from them none of this would have been possible. I promise, no more school after this.

To my wonderful Mother, thank you for your unyielding faith and confidence. I only begin to express the immense pride I have in being your son.

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**FUTURE DEVELOPMENT CHALLENGES TO THE ANCHOR TENANT
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by

Kim Wong

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ABSTRACT

This thesis sets forth a series of definitions applicable to the retail and shopping center industries. These definitions are necessary in understanding and analyzing the scope of both industries.

The thesis further analyzes the current state of the retailing industry and the significant trends which will likely take place within the industry over the next several decades. In addition, this thesis tracks the history of the development of anchorless retail centers which includes a description of several of the most noted of these type of centers.

A number of factors including the financial problems currently facing the department store industry and the increasing difficulty with the approvals process for future site locations has made it increasingly difficult to develop a full-size, anchored regional shopping mall. In response to these problems, a definitive trend by developers has been towards the development of retail centers based on an anchorless design.

The primary question being explored in this thesis is whether an anchorless retail center can be developed in such a way that the locational and customer draw characteristic of retail centers with strong anchor tenants can be replicated. The thesis sets forth a series of decision-making formulas in attempting to create a core attraction and tenant-mix which will guarantee a consumer following for anchorless retail centers.

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CHAPTER ONE- DEFINITIONS

A complete understanding of the development of anchorless retail centers requires that certain key development and retailing terms be defined. In order to understand what a anchorless retailing center is, one must comprehend what an anchorless retailing center is not. Historically, real estate development and retailing have defined many of the key industry terms through the actual practice of their trades. The first half of this chapter will set forth the historical definitions of key terms and the second half will define key terms necessary to understand the concept of an anchorless retail center.

A number of terms and phrases which are used within both industries appear to have been established as much from the field practice of development and retailing as from specific definitions being set by a professional organization within each field. Therefore, the definition of terms used to define anchorless retail centers in this paper can be considered generally accepted key terms within both industries.

The Market Place

The elements of the "market place" are the actual factors which influence consumer behavior in the practice of retailing. It is within a market place where the process of exchange and distribution takes place, a basic foundation of the practice of retailing:

Market places are sites with social, economic cultural and other referents where there are a number of buyers and sellers, and where price offered and paid by¹ each is affected by the decisions of the others.

In many respects it is the social, economic and cultural elements of the market place which are key factors in establishing a significant consumer draw to a retailing center. These elements include the meeting and greeting of the various consumers drawn to the center, the convenient access to the center, the variety and choice of products available and the different price ranges represented. A successful developer will have created an ambience similar to the market place by melding the various components of the retail shopping center. A consumer present in a retail center should feel many of the same comforts and attractions of the 'traditional bazaar' atmosphere created by the market place. Thus, a developer who is able to maximize the

consumer attraction a retailing project has likely been able to blend the elements in such a way that much of the feeling of what constitutes a market place has been created.

Retailing

The term "retailing" invokes images of the everyday activity of economic distribution and exchange. The retailer provides a middleman's role between the producers and the consumers of goods as Robert Potter of The University of London describes:

If the Concise Oxford Dictionary is consulted, it is found that the noun 'retail' is defined as the 'sale of goods in small quantities'. This definition certainly points to the principal function of the retailer, that is to act as the middleman or intermediary between the consumer on one hand, and the producer and/or wholesaler on the other, in the process of the physical distribution of goods.²

Shopping Center

While the practice of retailing can take place in many different forms of marketplaces ranging from a street corner to an elaborate shop, the market place for the purposes of this paper is a "shopping center". The term "shopping center" implies that the market place created is very much the result of a significant amount

of forethought and planning. One of the early definitions of the concept of a "shopping center" was established by the Urban Land Institute in 1944:

A group of architecturally unified commercial establishments built on a site that is planned, developed, owned and managed as an operating unit related in its location, size, and types of shops to the trade area that it serves. The unit provides on-site parking in definite relationship to the types and total sizes of the stores.³

Conceptually and in practice , the development and retail industries have historically divided shopping centers into three major categories based upon the size, the trade area and the tenant mix of various centers. While a specific criteria was used in defining each group, in practice the actual lines of demarcation are blurred. Nonetheless, the division of shopping centers into the three groups is useful in understanding the unique characteristics associated with each type.

Neighborhood Centers are retail shopping centers which sell convenience goods and personal services. Gross leasable square footage is in the range of 50,000 square feet with a supermarket as serving as the principal anchor tenant.⁴ In a national study of 388 centers conducted by the Urban Land Institute in 1984, it was found that the median size of a Neighborhood Center was 62,525 square feet.⁵ The trade area of a Neighborhood

Center is considered to be a radius within a five to ten mile drive which serves a population ranging from 3,000 to 40,000.⁶

In contrast, Community Centers are traditionally defined as retail shopping centers anchored by a junior department store, a variety store and a supermarket. New Community Centers now tend to be anchored by a discount or off-price stores or specialty stores such as hardware or home improvements stores.⁷ The newest form of these hardware/home improvements anchor store is the Home Quarters Warehouse chain of retail stores. Home Quarters Warehouses are 'superstores' in that they carry a comprehensive line of hardware and home improvement items in an area approximately 100,000 square feet in size.⁸ The typical gross leasable square footage averages 150,000 square feet serving a trade area population of 40,000 to 150,000 with a ten to twenty minute drive.⁹

Regional and Super Regional Shopping Centers are the largest of the retail shopping centers in size. A Regional Shopping Center is typically 400,000 GLA (ranging from 300,000 up to 1 million) and is anchored by at least one full-line department store. The usual size of a site for a Regional Shopping Center ranges from ten to sixty acres with a trade area population served of 150,000 or more.¹⁰ In contrast, a Super Regional Shopping Center typically is 800,000 in GLA, anchored by three or

more full-line department stores, contained in a site area which ranges from fifteen to one hundred or more acres, and serves a trade area population of 300,000 or more.¹¹ The product lines offered by both types of shopping centers are similar which includes "...shopping goods, general merchandise, apparel, furniture, and home furnishings."¹²

There are a number of modern variations of the three primary categories of Neighborhood, Community and Regional Shopping Centers. An additional categorization or subgrouping of each of these categories can be done by focusing on the particular product focus or marketing approach of the individual shopping center being considered. By defining these subgroups, more focus within this paper can be placed upon the intentions of developers to design retail centers in a non-traditional fashion. These intentions are primarily based upon the goal to maintain high customer draw to a center through innovative design and product mix. Many of these same intentions encouraged developers to build retail centers without traditional anchor store tenants. The theories used in developing the anchorless retail center concept appear to be a combination of many of the distinguishing features of these particular subgroups.

While the first subgroup, Speciality Centers, is a generally accepted term within the shopping center

industry, no specific definition has ever been completely agreed upon. The primary distinguishing characteristics of the Specialty Centers are the lack of an anchor tenant and an emphasis upon specialty, gift, and fashion retailing.¹³ The developers of these types of projects attempt to replicate the same draw which an anchor tenant would create through a combination of stores essentially offering the same product mix.

Festival/Speciality Centers in comparison are shopping centers which also generally lack a traditional anchor tenant, but, rather base the draw to the development upon a theme intended to create a special 'festival' feeling. The prototype festival marketplace is Faneuil Hall Marketplace in Boston created by the Rouse Company. Characteristics of Festival/Specialty Center include: memorable architecture, ethnic authenticity, unique offerings, a blend of on-site food service and specialty food retailing and public entertainment.¹⁴ The primary focus of the Festival/Specialty Center is to encourage the purchase of impulse items.

Fashion Centers are retail centers comprised of a collection of high quality apparel shops, boutiques and custom shops. The potential market for these centers is definitely focused at higher income areas, thus, limiting the number of potential markets.¹⁵ The product mix is

composed of high quality and high priced merchandise. In general, the design of Fashion Centers are, "...physically distinctive, with better-quality architecture using high-cost finishes and materials."¹⁶ The sites of Fashion Centers are smaller since sales per square foot tend to be higher than the industry averages.¹⁷ Amenities such as valet and reserved parking are also common features of these centers.

Off-Price and Outlet Centers are a relatively new concept in retail shopping center design. In general, both of these types of retail centers lack a traditional anchor store tenant. Off-Price Centers are characteristically fashion malls which offer high end merchandise at prices substantially discounted from regular department stores.¹⁸ In comparison, Outlet Centers are a collection of factory outlet stores based on the same price discount theory, but, the tenant mix and product lines are much broader beyond apparel.¹⁹

Discount or 'Power' Centers are becoming one of the most prevalent forms of retail shopping centers. These centers are generally the same size in square footage as a typical community shopping center. The main distinguishing feature of the Discount Center is that a discount department store or home improvement center rather than a regular department store is used as the anchor tenant.²⁰

The final subcategory, Village Centers, is comprised of retail specialty centers which are based in rehabilitated and renovated structures. The tenant mix tends to be the types of stores which are appropriate for the prevailing demographics of the surrounding area. In many cases, Village Centers are based on an upscale theme consistent with the surrounding affluent residential communities. Many of these Village Centers are located in the traditional town squares that were often the primary business and retail centers of the community.²¹ Many city and town planners have recently become interested in the neo-traditional form of planning which encourages this trend towards Village Center retailing.

Anchor Stores

Anchor Stores are commonly defined as the major and largest retail store within a shopping center which provides the primary consumer draw to the development.²² In neighborhood and community centers, a food supermarket acts as the anchor store. Community Centers also currently include variety and discount stores as additional anchor stores. On a larger scale, the common practice in the design of regional malls is to include at least one fashion and soft goods department store as the

anchor store. Newer regional mall designs now include several fashion and soft goods department stores as the multiple anchor stores for the project.

Tenants

Key Tenants

In many respects, the terms Key Tenant and Anchor Store are completely interchangeable. The selection of the key tenant is based on much of the same criteria that the selection of an anchor store would be based upon. Thus, in defining each specific term based on historical precedent, in virtually all cases the Anchor Store is also the Key Tenant in any retail shopping center utilizing such a design. However, absent a traditional Anchor Tenant, the retail store which provides the draw to the shopping center is by definition the Key Tenant.

Tenant-Mix

The Tenant-Mix is considered the collection of the store types occupying space in the various types of retail shopping centers.²³ The different types of tenant classifications used in determining the Tenant-Mix include Retail Food, Food Service, Clothing, Gifts,

Jewelry, Cosmetics, Drugs, Personal Services, Lifestyle, Financial, Home Appliance, Liquor, Records/Tapes/Video, Professional Offices and Home Decor.

Slot Stores

For the purposes of the paper, a Slot Store will be defined as any store which is not fall within the definition of the Key Tenant. Slot Stores are much smaller in size with product mixes and merchandise lines which are very narrow in comparison to a department or variety store. In virtually all cases, the Slot Stores are highly dependent on consumer draw created by the Key Tenant.

Slot stores are divided by geographic scope including national, regional, and local chain stores.²⁴ Typically, Slot Stores begin as local retailers and through the popularity of the growth of their products and merchandise, eventually become regional and national in scope. Slot Stores divided by product mix include stores which offer luxury items and stores which are based upon a specialty concept.²⁵

Retail Goods

Convenience Goods

Convenience Goods are typically those retail products which "...are needed immediately and frequently and are therefore purchased where it is the most convenient for the shopper."²⁶ As a result, Convenience Goods are generally sold at Neighborhood Centers or smaller retail developments.

Shopping Goods

A definition of the term "shopping goods" is very useful in understanding much of the motivations of a consumer beyond pure convenience. The purchase of "shopping goods" tends to invite participation on the part of the more sophisticated side of a consumer as the definition implies:

...those on which the shoppers spend the most effort, and for which they have the greatest desire to do comparison shopping. The trade area for shopping goods tends to be governed by this urge among shoppers for comparison shopping, and, therefore its size²⁷ will be affected by the availability of such goods.

Specialty Goods

Are defined as retail goods which are similar to shopping goods in that consumers tend to spend more care and effort in the decision-making process of selecting the goods.²⁸

Impulse Goods

Impulse Goods are retail products which consumers are not actively seeking on a given shopping trip. The display location of these goods are based on the maximum visibility which can be achieved. In store location decisions, these types of stores are generally located near high traffic areas.²⁹

Thesis Definitions

Anchor Tenant Orthodoxy

The custom and practice on the part of the participants (lenders, developers and retail tenants) in the development process of retail shopping centers to orient the design, leasing and tenant-mix to require a

minimum of at least one and, preferably two fashion and soft goods department stores as an anchor tenant in a shopping center.

Retail Center

For the purposes of this paper, a retail center will be defined the same as a shopping center as defined by the Urban Land Institute.

Size of Retail Center

The anchorless retail centers examined in this paper are shopping centers which have an overall gross leasable area retail component of greater than 50,000 gross leasable area.³⁰

The term GLA or "gross leasable area" is a universally accepted definition on the part of the shopping center industry used for statistical comparison. The Urban Land Institute defines "gross leasable area" as:

...the total floor area designed for the tenant's occupancy and exclusive use- including basements, mezzanines, or upper floors- expressed in square feet and measured from the centerline of joint partitions and from the

outside wall faces. It is the space for which tenants pay rent including sales areas and integral stock areas.³¹

Anchorless Retail Center

A regional shopping center meeting the definition of a retail center without a fashion and soft goods department store serving as the anchor. The tenant-mix of the anchorless center is oriented towards boutique types of stores in merchandise and size. One of the following types of stores may serve as the main draw to the anchorless center: National Chain Store, Regional Chain Store and Local Speciality Store.

A National Chain Store will be defined as a retail business which operates "...in four or more metropolitan areas in three or more states."³² A Regional Chain Store will be defined as a retail business located in less than four but more than one metropolitan areas in less than three states. A Local Specialty Store will be defined as a retail business located in one metropolitan area.

CHAPTER TWO- THE RETAILING EXPERIENCE

The Current State of Retailing

A review of a number of the changing trends facing the retail industry will be useful in comprehending the role that anchorless retail centers will play in the future. Opinions are varied on the overall strength of the retailing market. While these opinions vary from very strong to generally weak, most analysts agree that there exists fundamental problems which must be addressed. The continued strength of retailing is fully dependent upon how well these fundamental problems are solved.

The perceived value of the strength of retailing is reflected in the consistently high financial real estate returns which have been obtained from these properties over the last decade. In the 1980's, the return from retail properties of 14 percent was nearly double the 7.1 percent for all other properties.³³ The long-term consistency of retailing is documented by the Frank Russell Company index which stated that "...retail outperformed all other sectors consistently for 24 quarters ending December 1988."³⁴ Emerging Trends in Real

Estate: 1990 agrees with the overall assessment that retailing is a strong area for investment, "...[R]etail development runs neck and neck with industrial for top ratings in 1990."³⁵ This top rating is borne out in the premium prices which retail properties are still able to command. Among the investment community, retail properties are still considered excellent investments due to their high returns. Top prices for retail properties are still being paid, despite very high asking prices.

In the specific retailing area of shopping center development, significant growth patterns continue. After a slowdown between 1985 and 1989, growth in the development of new centers as well as the renovation of existing centers is likely to be strong into the 1990's. The main growth areas will be the development of "power centers" due to the unprecedented expansion of "category killers" chain store retailers and the rehabilitation and re-positioning of existing shopping centers.³⁶

Regional mall development will remain strong because of their near-monopoly status which makes them immune from competition. Currently existing regional malls remain financially strong due to the extended time period currently required in the zoning approvals process. The existing regional malls also benefit by being more service ready for their already existing

client base. The financial returns from these malls has justified this conclusion. The strength of regional malls is evident in their exceptionally low capitalization rates averaging 4.5% to 5.5% with some as low as 3% if significant repositioning possibilities exist.³⁷

Nevertheless, despite the feeling that the future performance of retailing will be as strong as in the past, there is confusion over the short-term outlook of the industry due to a number of factors. Many of these factors are related to basic fundamental changes within the industry itself as Emerging Trends in Real Estate: 1990 indicates:

...Consolidations and shakeouts among retailers, department stores, and center developers; vulnerability of older (say '60s vintage) malls to new competition; and shifting consumer spending patterns and demographics.³⁸

The feeling that many of these problems are directly related to the very foundation of the retailing industry is also held by others within the industry. Nina Gruen, a sociologist specializing in the areas of retailing and marketing feels..."The retailing industry's trouble is systematic and goes well beyond...the recent spate of famous, or should I say infamous, bankruptcies."³⁹

The Future Direction in Retail Shopping

Changing Factors in Retail Shopping Experience

Demographics

General demographic trends show that retail customers are on the average getting older and that a larger portion of the female population is entering the work force. The effect of more women entering the work force will be that style preferences in apparel will tend to become more conservative, thus, annual style changes will be less influenced by designers and retailers. In addition, working women will purchase less junior apparel, which is a product line currently representing a large proportion of the space currently leased in retail centers.⁴⁰

As of this point in time, retailers have failed to recognize that the buyers of apparel, mainly woman, are growing older and are joining the workforce. A limited number of apparel stores such as Anne Taylor and Henri Bendel have recognized the desire of working women to maintain a sense of style with the apparel they purchase for work.⁴¹

Changing Shopping Habits of Consumers in Retail Complexes

Declining Amount of Disposable Income Spent on Retail Goods

Opinions of retail experts currently support the conclusion that the baby boom generation of the 1940's and 1950's currently reaching the forty to fifty year old age group will spend less on disposable goods as the group grows out of the traditionally high-spending years of life. Some experts feel that the baby boomer generation have become alienated towards the extraordinarily high levels of consumption that were representative of the 1980's. Consumers of the 1990's are looking for better value as "...they are borrowing less, shopping carefully and saving more." ⁴²

There is a discernable trend in the portion of disposable income being spent on non-essential retail goods. The percentage of disposable income spent on non-essential retail goods has dropped steadily from 20 percent in 1975 to 18.1% in 1989.⁴³

The Polarization of Incomes in Households

Growth of the specialty and discount stores has very accurately corresponded with changes in consumer buying habits. The changing buying habits of consumers are directly reflective of the make-up of the shrinking middle-class consumer market. As a result, successful retailers have tailored product lines towards the ends of the price spectrum ranging from competitively-priced to luxury goods.⁴⁴

Significant demographic shifts document the trend towards a shrinking middle-class and a growing underclass. In 1980, over 48 percent of the American households fell within the income levels considered as middle-class (\$25,000 to \$75,000). The distribution of the households outside the middle class were 44.2 percent below \$25,000 and 7.6 percent above \$75,000. As of 1990, the distributions have changed with a 2.7 percent drop in the middle-class, a 2.1 percent increase in the lower income group, and a .8 percent increase in the higher income group.⁴⁵

The Trend of Job Availability Growing at a Rate Faster Than the Labor Force

The full effect of the current labor shortage will be felt by the retailing community by the mid-1990's. As a result, all retailers (and especially those carrying high-end goods) will be faced with higher training costs in order to maintain a better quality of service.⁴⁶ In addition, the shrinking labor pool insures greater power on the part of the unions representing the retail workers.⁴⁷

The Changing Factors in the Retail Industry

The Disarray of the Department Store Industry

The Growing Number of Consolidations and Acquisitions

The department store industry has undergone a number of significant changes over the recent past. With the growing number of consolidations and acquisitions and the higher levels of leverage carried by purchasers of the department stores an exceedingly high level of uncertainty within the industry has been created.

An unprecedented number of structural changes within the retailing industry have taken place over in the recent past. Major consolidations and acquisitions involving some of the nations' largest retailers has led to a significant change in both the number of existing retailers and the operational methods used by the industry. Emerging Trends in Real Estate: 1990 describes some of the major changes which have taken place:

...Ames's acquisition of Zayre; May Company's realignment of a number of its stores; Mark & Spencer's acquisition of Brooks Brothers from Campeau; the leveraged buyout of Montgomery Ward's from Mobil; Bergner's acquisition of Carson Pirie Scott; and Dillard's acquisition of D.H. Holmes in New Orleans.⁴⁸

Since then, Ames has filed for re-organization, the problems faced by the Campeau Company have forced the Federated department stores to seek protection from creditors, and Dillard's has acquired the Ivey's retail chain.

The Problems Facing the Department Store Industry

One of the most significant problems currently facing the department store industry deals with the

financial difficulties associated with the high levels of leverage which resulted from the recent wave of acquisitions. Perhaps the most well known of these situations are the financial problems facing the Canadian developer, Robert Campeau in his purchase of the Federated department store chain (including Bloomingdales and Jordan Marsh). Other retail department stores which have faced equally difficult financial problems include Bonwit Teller with it's parent company L.J. Hooker filing for Chapter 11 and the purchase of Sakowitz and Parisian by their management.⁴⁹

Critics of the current trend towards the ownership of department stores by developers feel there are a number of potential problems which may be created. The critics foresee the new owner/developers using the newly acquired anchor tenant department stores as a justification to develop new retail shopping centers which normally would not be economically feasible.⁵⁰ In addition, the industry critics feel that the ownership of a department store chain by a developer gives a inequitable advantage in the negotiations involving the department store as the anchor tenant for a retail center owned by a competing developer.⁵¹ Nevertheless, the issue regarding unfair lease negotiations may be moot as the shake-out within the department store industry continues.

Other Problems With the Department Store Industry

Site Approval Difficulties

Shopping center developers are currently facing unprecedented problems in locating adequate sites for the development of their future projects. Many of these of these problems have developed as a result of the growing reluctance on the part of communitites to bear with the additional burdens which result from increased traffic and dependence upon the existing infrastructure.⁵² This community reluctance expresses itself in the form of increasing difficulty in recieving the necessary approvals for the development of retail shopping areas. While many communities still appreciate the added economic and tax benefits to be obtained in accepting a retail shopping center, both the potential number of communities and site locations are consistently shrinking.⁵³

The Limitations of Key Tenants

In addition to the financial problems within the retailing industry which may potentially limit the availability department stores as anchor tenants in the

future, there also growth limitations which developers must also face. The problem is the potential expandibility of successful key tenants who can act as the anchor for a retailing center. Nordstrom is a department store industry leader in providing excellent service, comprehensive product lines and a focus on local markets.⁵⁴ Nordstrom is also an example of a key tenant whose popularity may have outgrown the expansion possibilities of the firm. Nordstrom is currently expanding into "... Chicago, Minneapolis, Indianapolis, New Jersey, and the Washington, D.C. area."⁵⁵ With sales per square foot significantly higher than the national department store averages, the popularity of Nordstrom as an anchor tenant is at an all-time high. Nevertheless, in it's expansion two questions must be asked by Nordstrom. First, how much expansion is actually feasible from a financial and operational point of view? And second, will the firm oversaturate it's presence and lose it's vaulted personal service reputation position within the local and national retailing markets with continued aggressive expansion?

An Overabundance of Retail Space

The retail industry currently is facing an overabundance of available market space. Nina Gruen describes the disproportionate amount of retail space

that is currently available:

Between 1974 and 1984, total retail square footage in the U.S. increased 80 percent. At the same time, personal income increased by about 30 percent, if the impact of inflation is discounted. While the rate of the increase in new shopping center space slowed down somewhat in the latter part of the decade, almost 700 million square feet of gross leasable area shopping center space and over 6,000 shopping centers were constructed in the U.S. over the 4-year 1986-1990 time period. Despite this slowdown in additional shopping center space between the beginning of 1986 and the end of 1989, shopping center GLA still increased by 20 percent. Disposable personal income increased by only one-half that amount during the same four-year time period.⁵⁶

The Growing Means of Spending Disposable Income

The growth in the alternative means of spending disposable income on retail goods will provide a continuing threat to traditional shopping centers. There are now 65,000 catalog and mail order sales houses. In addition, virtually all cable television systems offer at least one home shopping network.⁵⁷

The Rediscovery of the Village Center

Recent changes in the shopping patterns of consumers attests to the rediscovery of the Village Center. The typical Village Center is usually identified as the primary business district of any residential community.

In many respects, the Village Center is a small suburban town's "Main Street U.S.A." With the trend towards the older consumer seeking more of a refined and higher quality shopping environment in contrast to a standard strip retail shopping center or the sameness of the typical regional mall, it is likely the trend back to the Village Center will continue. If an anchorless retail center is successful in recreating many of the elements which are fundamental in the atmosphere currently drawing consumers back to the Village Center, the anchorless retail center may also develop a large following and subsequent trade area for itself.

The Definition of a Trade Area

The industry definition of a "trade area" is useful in developing an understanding of the ultimate market which a retail establishment will eventually serve. In a purely traditional sense, a "trade area" is defined as, "...that area containing people who are likely to purchase a given class of goods or services from a particular firm or group of firms."⁵⁸ In many respects, the same principles underscoring the determination of the "trade area" are the basis behind the draw to the Village Center.

The standard trade area for most Village Centers

has not necessarily contained a group of consumers with an unusually high per capita income. While the orientation of the shops contained within a Village Center is likely toward high quality and custom goods, the retail price are not necessarily high. In contrast, anchorless retail centers have historically been located in geographic areas where per capita and household incomes are well above the national average.⁵⁹ The disposable income in these areas is also extremely high in contrast to communities with comparable demographics.⁶⁰

The Principals Behind Locational Draw

An examination of the urban geography concept of locational draw is useful in understanding why the rediscovery of the Village Center has taken place. It is also many of these same principals of 'place' and 'activity' which are attempted to be recreated in the design of the anchorless retail center.

Locational draw in retailing is based upon the urban geography concept of the Central Place Theory. The Central Place Theory recognizes the premise that the activity related to a location creates a draw to the area and thus, is a:

...theory of the location, size, nature, and spacing of these clusters of activity, and is therefore the theoretical base of much of urban geography and the geography of retail and service business.⁶¹

Related to the Central Place Theory is the principle of Centrality which illustrates the concept of a convenient point of focus for the consumer to visit to purchase goods. The centrality concept is rooted in the principle that consumers will base their choice of retail centers on locations where they can conduct their business with the least amount of effort possible.⁶² The overall concept assumes that if the consumer is given a choice of locations with similar characteristics, the choice will always be the location which involves the least amount of effort.⁶³ Therefore, consumers are only willing to travel a short distance for items that are needed on a regular basis. Infrequent purchases are usually delayed and ultimately combined with a number of other activities such as socializing and entertainment.⁶⁴

The Nature of the Village Center

There are a number of factors that create an attraction on the part of the consumer to the Village Center environment. While a number of these factors are related to the general theories of urban geography, many

others are related to the age and the background of the retail customers, an effective design, persceptive merchandising and excellent service.

Characteristic of virtually every Village Center is the unique architectural style-- the vernacular --that is typical of the geographic region in which it is located. From the New England Cape Cod architecture of the Village Centers of Greenwich, Connecticut or Wellesley, Massachusetts to the Southwestern Adobe style of Santa Fe, New Mexico, the variety and range of local venacular styles is vast.⁶⁵ Most of the rehabilitation and renovation of Village Centers has respected the architectural heritage of the existing structures.⁶⁶

The design and locational factors associated with the Village Center have also contributed significantly to the current success of these centers. The "high street" visibility of the village shops and the convienence of the destination as a shopping trip are important factors in the consumer draw back to these centers.⁶⁷ In addition, the configuration of the Village Center is oriented towards comfortable circulation patterns for the pedestrians.

As for the Village Center stores themselves, the traditional nature of the stores has also proven to be a draw for consumers. Custom design and decor is common in

many of the stores with emphasis on effective display and presentation. The tenants are generally experienced proprietors who emphasize personalized selling within a specialty store environment. The merchandise in Village Center stores tends to be unique with in-depth stock and comprehensive product lines. While the merchandise also tends to be of high value and quality it is not always necessarily expensive.⁶⁸

The Chain Specialty Merchants

The Growth of Chain Specialty Merchants

Another dramatic trend within retailing is the growing number of national chain store whose merchandise base is focused upon a single product line or consistent product theme. The merchandising theory behind the national chain store specialty concept is to limit the product line offered to manageable levels and to provide above average service to customers which will allow the company to maintain higher price points.⁶⁹ The specialty theme utilized by these companies allows them to carry a specific product line at a higher quality level with a much deeper range of choice for the consumer within that product line.⁷⁰ In addition, much greater oversight in inventory flow and control takes place as a result of the more focused merchandise. This control allows these

firms to respond to demand more quickly through computerized inventory control and reduce inventory costs through faster efficiency in inventory turnover.⁷¹

The most noted of the national chain store specialty merchants is the group of stores under the ownership of The Limited. The Limited store itself is an upscale womens' clothing store with an emphasis on sports and casual wear.⁷² The Limited store was the first major retailer to introduce point-of purchase computer tracking of the currently existing inventory stock. Computer tracking of inventory allows the company and the individual stores to be immediately responsive to fastest selling products.⁷³ The Limited company is owned by retailing maverick Leslie Wexner, is based in Columbus, Ohio and is composed of several different types of stores including Victoria's Secret (lingerie), Limited Express (juniors' casual apparel), Lane Bryant (larger sized professional womens' apparel), Abercrombie & Fitch (mens' sportswear and casual apparel) and Henri Bendel (high end fashion apparel).⁷⁴ The merchandising concept behind The Limited company is to create a product mix in scope and selection similar to a small department store while maintaining separate store fronts.⁷⁵ The large amount of square footage represented by the collection of The Limited stores creates a competitive advantage on their part during lease negotiations. As a result, a developer is faced with a competitive disadvantage as The

Limited company negotiates the lease based on the total amount of square footage represented by the entire collection of store fronts desired rather than on a store-by-store basis.

Other noted national chain store specialty merchants include the upscale cooking equipment store Williams Sonoma and The Pottery Barn, a store focusing on less expensive glassware and dining merchandise. The traditional Ralph Lauren Polo line of high-end apparel which has also started a series of boutique shops in more affluent communities and retail centers. In addition, Talbots, an upscale womens' clothier has also started a comprehensive expansion strategy.

CHAPTER 3- THE ANCHORLESS RETAIL SHOPPING CENTER

The Anchor Store Orthodoxy

The Anchor Store Orthodoxy deals with the development bias within the shopping center community. In order for a project to succeed, a traditional anchor tenant is absolutely necessary to create the level of consumer draw and shopper traffic required to sustain the center. Both developers and leasing agents also believe that securing an anchor tenant is essential before the retail center is leasable to potential "slot store" tenants. This feeling is not without merit since the first question tenants commonly ask is "who are the anchors?"

Examples of this bias in favor of anchor tenants is pervasive throughout the shopping center industry. In the Urban Land Institute Shopping Center Development Handbook common references are made to the necessity of securing an anchor tenant before proceeding with a project. The ULI Handbook describes the industry's general feelings regarding the far reaching implications of the anchor tenant within an entire project:

As a rule, a shopping center will not be built until the developer has secured commitments from key tenants. The choice of key tenants will help determine site design, building design and layout, and financial negotiation. And as already noted, it is the key tenant or tenants, not the size of either the site or the center, that determines the type of center. The key tenants will also determine the image that the center will project.⁷⁶

A classic example of the anchor tenant orthodoxy is found in the development of Horton Plaza in San Diego. Horton Plaza is mixed-use project by developer Ernest Hahn which utilizes a festival marketplace theme in a revitalized area of downtown San Diego.⁷⁷ The retail portion of Horton Plaza is 900,000 square feet located over five levels.

In developing Horton Plaza, Ernest Hahn was faced with a tremendous barrier reflective of the anchor tenant bias of both the shopping center and retailing industries. In order to make the project feasible in the eyes of the City of San Diego from whom large subsidies were requested, city officials felt it was absolutely critical that Ernest Hahn secure major department stores in order to create customer draw.⁷⁸ On the other hand, the major department stores were very reluctant to locate in Horton Plaza for several reasons. These reasons included that the department stores were

already maintaining high levels of sales in their suburban San Diego locations, the unconventional design of Horton Plaza which was counter to many of the most commonly accepted rules of design for regional shopping centers, the unknown nature of the festival marketplace concept and the previously undesirable atmosphere of the downtown San Diego area.⁷⁹

After a diligent search for the general pool of possible department stores as anchor tenants, Ernest Hahn had to undertake an unusual approach in order to secure commitments to Horton Plaza. Professors Bernard Frieden and Lynne Sagalyn of the Massachusetts Institute of Technology explain the means which were taken by Ernest Hahn in Downtown, Inc.:

...Hahn still had to mount a special campaign to loosen their attachment to the suburban prototype. He managed to bypass the usual store planners and made his pitch directly to the heads of divisions and chairmen of⁸⁰ boards who had "imagination of good merchants."

History of Anchorless Retail Centers

Traditional Anchorless Retail Center Prototypes

Many of the contemporary anchorless retail shopping centers owe their antecedents to innovative shopping center designs of the past. Retail shopping center

development in the 1930's created many of the first prototypes which would eventually establish the current generally accepted principles of shopping center design and configuration. Many of the early centers were simply a collection of shops located within close geographic proximity of one another. In many respects, the early retail centers were the functional equivalents of the Village Center. Similar to the design concept behind the anchorless retail center, the developers of the early retail shopping centers assumed that the atmosphere created through the combination of retail merchants and the variety of merchandise offered would create the draw to the area. Thus, in these early shopping centers, there was no single store which acted as an anchor or key tenant to the area.⁸¹

New forms of shopping centers were created with the development of regional shopping centers. These shopping centers were built by developers in response to the demand created for retail with the formations of households and general housing growth into suburban areas which followed the Second World War.⁸² Many of the design principles of these regional shopping centers have also been incorporated into the anchorless retail centers. A review of a number of these prototypes will be useful in understanding the anchorless center.

Market Square- Lake Forest

Market Square which is located in the Chicago suburb of Lake Forest is credited by the National Register of Historical Places as being the first planned shopping district in the United States.⁸³ The timing of the development of Market Square in 1916 coincided with the transition of the American nation into a automobile based society. With the increasing reliance on the automobile as the primary means of transportation, shopping center developers were faced with the question of which design best accomodated attempted both the shopper and the car. Pioneer developers chose to address this question by actually separating the shopper from their automobiles. Market Square was the earliest shopping center which fully separated the shopper from the automobile by locating them in different areas.⁸⁴

Country Club Plaza- Kansas City

Country Club Plaza is located immediately adjacent to Kansas City in a high-quality residential suburb. In a traditional sense, Country Club Plaza is a shopping district containing free-standing independently-owned stores and seperately designated store fronts.

Developed in the early 1920's by developer J.C. Nichols, Country Club Plaza introduced the early design concepts of architectural vocabularies, unified management, signage control and landscaping amenities.⁸⁵ The stylized architecture blending Old Spanish, Mexican and Southern Californian was unprecedented for its time.⁸⁶ Today, Country Club Plaza is considered the largest tourist attraction in the Kansas City area with nearly 200 retail and service shops.⁸⁷ The Plaza continues to be a very successful retailing environment which has experienced a history of sustained high sales volumes.

Highland Park Shopping Village- Dallas

Considered to be the prototype of many contemporary retail shopping centers, the Highland Park Shopping Village in Dallas was built in 1931 thus, being one of the the first shopping centers constructed as a single planned unit. Highland Park Shopping Village was built and operated by developer Hugh Prather as a single retail development rather than just a collection of shops. The development is considered to be the first unified commercial district with inward facing stores to be developed.⁸⁸ The design is on a single site with no separation by public streets. The store fronts are based upon a consistent and uniform image. The complex

has been thoroughly renovated in such a way that it has retained much of its historical architectural style.⁸⁹ The architecture is original Spanish which includes, "...terra cotta roofs, stucco walls and intricate ironwork."⁹⁰

River Oaks Shopping Center- Houston

The River Oaks Shopping Center was built by developer Hugh Potter as a retail complex directly adjacent to upscale residential community by the same name. The center is a series of seven separate buildings which took over twelve years to complete (started in 1937, completed in 1949).⁹¹ After several years of detracting from the original style of architecture, the center has been renovated back to the original contemporary look of the past.⁹² River Oaks is noted for initiating many operational systems practices which are industry standards for today including percentage leases and merchants' associations.⁹³

Post World War II Prototypes

Northgate- Seattle

Though Northgate is a fully anchored retail

shopping center, an examination of the center should prove to be useful. Northgate is important within the context of the design anchorless shopping centers as much for what it is as for what it is not. Northgate is renowned as being, "...the first suburban regional shopping center built with a full-line branch department store as the leading tenant."⁹⁴ Northgate also was the first shopping center to feature a central pedestrian mall.⁹⁵

Many of the design features involving the site planning of Northgate are elements which a successful anchorless center would incorporate. Meredith Clausen, an architect at the University of Washington describes the distinctive nature of the site planning used in Northgate:

Aimed at maximum customer convenience in terms of both access and circulation, it was the careful synthesis of land-use planning, merchandising, and traffic analysis. Its concept- a long, straight, tightly compressed pedestrian mall lined on both sides with a dense array of stores and services- doubled the number of stores while reducing the distances the public had to walk, and at the same time⁹⁶ it enhanced the opportunity for impulse sales.

The merchandising program used at Northgate is also instructive for anchorless centers. One of the ways for for an anchorless center to be successful is to create a tenant mix which maximizes the use of the retail space.

The program at Northgate emphasized the overall design of the center in order to encourage higher sales as Meredith Clausen continues:

The carefully conceived merchandising plan controlled and coordinated the number, type, and location of all stores and services in the center in terms of greatest benefit to the center as a whole; the plan, furthermore, called for a variety of block sizes, flexibility of interior spaces, and expandibility of the mall complex. All these factors contributed to the success of the mall.⁹⁷

Nevertheless, Northgate is considered a "thoroughly practical affair" with a strong central design oriented towards selling the products of the tenants of the center. The architecture is considered bare-bones modernist with few distinctive features. The store designs are also very conventional with simple forms focusing on display.⁹⁸

Southdale- Minneapolis

The element of Southdale which is useful as a prototype is the fact that it was the first enclosed regional shopping center. Southdale was completed in 1956 and is located near Minneapolis. The complex is two levels with a center garden court all enclosed by a single roof.⁹⁹

Festival Centers- Various Locations

A number of festival centers and marketplaces have also proven to be useful prototypes for anchorless retail centers. These marketplaces are excellent models mainly because the main customer draws to the developments is a result of the "theatrical" and historical theme orientation. The locational draw to festival centers is generally achieved without the presence of a tenant anchor store. This draw is mainly created through high density office complexes located adjacent to the development as well as the tourist trade attracted to the area.

The festival marketplace concept was first developed by the Rouse Company with the opening of Faneuil Hall Marketplace in Boston in 1976. Faneuil Hall was successful in converting what was once a deteriorating part of Boston into a viable retail center directed at the sizeable tourist market.¹⁰⁰ The marketplace is a collection of small specialty stores, restaurants, and entertainment spots without a traditional anchor tenant.

The Rouse Company has also developed a number of other festival marketplaces thus, becoming ubiquitous

throughout the country. These marketplaces also relied upon the main festival theme to develop the customer draw to the center. Though not as dramatically successful as Faneuil Hall, the Rouse Company was successful in creating marketplaces in Baltimore (Harbor Place), New York (South Street Seaport), and Miami (Bayside). James Rouse later formed Enterprise Corporation which developed mini-festival centers in Toledo, Ohio, Flint, Michigan, and Richmond and Norfolk, Virginia.¹⁰¹

The Design and Locational Theories Behind the Anchorless Retail Center

The draw which will attract customers to the anchorless center can take several different forms. First, the customer draw can be created by a theme concept such as entertainment or a collection of restaurants. Second, the customer draw may be the result of the combination of merchants and merchandise choice located at the center. Third, the customer draw may be due to the spillover resulting from a previously established regional retail center.

In general, the design and locational theories behind the anchorless retail center are quite simple, develop a "draw" for customers similar to that created

by a large anchor tenant and a loyal customer base to support the center will follow.¹⁰² The same concept is the premise behind the rediscovery of the Village Center as customers continue to be drawn back to the main street retail centers in which they had grown up. The difference between the two types of centers is that the Village Center previously had an established clientele and a history of an identity as the town's center of focus.¹⁰³ In contrast, the anchorless center must create its client base from the beginning.

The locational theory for the placement of anchorless retail centers demonstrates that adequate demographics are critical if an anchorless center is to survive. This dependence reflects the previous industry bias towards making anchorless retail centers upscale in nature. In the May 1988 edition of Chain Store Executive, the absolute importance of an areas demographics to an anchorless retail center is explained:

Location seems to be, as always in the development field, the key to the success or failure of anchorless projects...In certain selected markets, there's room for an unanchored center--you need density and decent income.¹⁰⁴

The limited amount of markets which have the demographics necessary to sustain an upscale anchorless center raises the question whether the current form of

the centers can be redesigned in such a way that more markets would become available. Additionally, an additional question surfaces whether a change in form would help the upscale anchorless centers which are currently struggling.

The new types of anchorless centers are attempting to create customer draw through either a theme orientation or through the combination of tenants occupying the center. Theme centers have generally sought to create the draw of a traditional anchor through restaurants or entertainment. In the May, 1988 edition of Chain Store Executive, Joan Primo, a retail consultant explains the draw created by the theme orientation:

You start getting into something that's more of a festival or theme orientation, and/or having restaurant 'anchors.' So, although a restaurant is not defined as an anchor, it may be a sufficiently unique draw so that it acts as an anchor.¹⁰⁵

In comparison, in the larger centers, developers have attempted to create the customer draw through the tenant mix. In many respects, the developer is creating an anchor store merchandise mix and product line through the combination of different tenants located at the center. The collection of stores attempts to create an atmosphere that works off of one another as Marvin

Neely, a developer of anchorless centers maintains:

All the stores create that environment because of the tenant mix...We put together the best retailers in their categories together so that any one of them would do well freestanding on any of these sites; when you put them together, you create a synergism.¹⁰⁶

Many of the current designs of anchorless centers borrow from the Village Center concept of creating a full vision of the shopping area. The layout of the anchorless centers is conducive to the consumer scanning the general shopping area and then being able to enter the shops directly. Marvin Neely continues:

We're actually easier and more convenient to shop than a department store. We're half the size...It's laid out in a strip center fashion, so it's not intermingling, wandering from this department to that. You can drive to the front of the center and see where you want to start shopping.¹⁰⁷

The Current Status of Anchorless Retail Centers

Notable Anchorless Retail Centers

Borgota- Scottsdale, AZ.

The Borgota is a collection of specialty stores located in the affluent area of Scottsdale, Arizona. Considered one of the most successful examples of a collection of high-end specialty shops in the country, The Borgota has been consistently praised for its ability in creating a very upscale shopping environment. William Kowinski describes the overall atmosphere created at The Borgota in The Malling of America:

It was a malled village of expensive shops in the desert, designed to replicate a thirteenth-century walled village in Italy. The illusion was carried out with such dedication that the mall's bricks were brought from Rome and the shops signs and menus were printed in Italian...the Borgota's inaugural festivities included the launching of a flock of white doves from its imitation Italian bell tower into the Arizona sky.¹⁰⁸

The Atrium- Chestnut Hill, MA.

Developed and owned by New England Development, the Atrium is 250,000 square feet in size over four levels

and is located in the Chestnut Hill area west of Boston.¹⁰⁹ The Chestnut Hill area is one of the few areas with the demographics appropriate for an upscale retail center as Stephen Karp, chairman of New England Development explains:

The demographics of Chestnut Hill place it among the country's most affluent communities...As a consequence, every major retailer has been trying to locate there for a long time.¹¹⁰ But there's simply been no room for development.

The development is centered around a design which includes no large anchor store. Stanley Marcus, a noted retail and shopping center consultant claims, "...[T]he Chestnut Hill Mall is actually our anchor."¹¹¹ The Chestnut Hill Mall has experienced sales per square foot levels which are unmatched in the retailing industry, "...may be as successful as any shopping center in the U.S., reportedly generating sales averaging \$500 per square foot."¹¹² The Chestnut Hill Mall is located within one mile of the Atrium, thus, making it directly adjacent for consumers.

The Scottsdale Galleria- Scottsdale, AZ.

Currently under construction, the Scottsdale Galleria is a part of a twenty year master plan for the

redevelopment of downtown Scottsdale. A joint venture between Melvin Simon & Associates and ISCC Inc. of Scottsdale, the 400,000 square-foot completed project will eventually be the largest specialty retail center in the country.¹¹³ As with the Atrium, the demographics of the area surrounding the Scottsdale Galleria are excellent for the placement of an upscale anchorless retail center. By the year 1993, the expected household income for the community of Scottsdale will exceed \$60,000.¹¹⁴ In addition, the economy of the general Phoenix area is exceedingly strong with 100,000 new residents per year moving into the area,¹¹⁵ the second fastest growth rate in retail sales in the country,¹¹⁶ and eight million tourists a year spending \$6 billion a year (\$2.5 billion specifically in the Scottsdale area).¹¹⁷

The Scottsdale Galleria will combine many of the design features that are consistently associated with previously developed upscale anchorless retail centers. The design features will include exotic landscaping, cascading fountains and all-natural finishes of marble, granite, brass and copper.¹¹⁸ The tenant-mix will be comprised of of high-end retailers with a number of international designers including Adrienne Vittadini, Bally of Switzerland and, Vidal Sassion.¹¹⁹ The most dramatic design feature will be a skybridge built over a planned loop road that will connect the two separate

buildings included in the design.¹²⁰

Forrestal Village- Princeton, N.J.

Princeton Forrestal Village is a 200,000 square foot anchorless retail center located in the community of Princeton, New Jersey.¹²¹ The project is aimed at an area of the country where the density of the population and the household income are disproportionately high. Within a fifteen-mile radius, there are 273,493 households, a population of 759,191 and, and average household income of \$42,808.¹²² The tenant-mix is also upscale in nature with stores such as Esprit for Kids, Rodier Paris, Cignal, Aca Joe and, Johnston & Murphy being reflective of the types of stores located in the Village.¹²³

CHAPTER 4- THE FUTURE OF ANCHORLESS RETAIL SHOPPING CENTERS

The Growth Patterns in Anchorless Retail Centers

Several industry factors exist which confirm the need for alternative designs away from the traditionally anchored retail center. First, the growing number of legal and financial problems currently facing major department store chains limits their ability in the short term to fully commit to new retail centers. These problems could also easily restrict the long term growth potential of the department stores if they remain unresolved. Second, the increasing difficulty developers are facing in finding locational sites of adequate size and subsequently obtaining the appropriate approvals will naturally result in developers searching for smaller sized locations for retail centers to be developed in the future. And third, the increasing lease payment subsidies required by major department stores in order for the store to anchor a particular retail center in many cases will result in the retail center losing economic feasibility.

In light of these factors, a number divergent opinions currently exist within the shopping center development industry regarding the use of an anchorless design in retail center development. The faction of the shopping center industry in favor of the anchorless design, "...believe them to be innovative, not chained to the demands or needs of anchors."¹²⁴ In contrast, those developers who dislike the anchorless design reflect the general feelings incorporated within the Anchor Store Tenant Orthodoxy. Many of these same developers equate the high vacancy rates of retail centers in certain areas of the country with the failures of anchorless centers located in those areas.¹²⁵

Regardless of the divergent opinions within the shopping center industry, one fact remains clear, that anchorless retail centers continue to be built. A comparison of the current growth patterns in the use of the anchorless retail center reflects a growing popularity in the use of the design. The most recent comprehensive survey of national shopping center developers conducted by the International Council of Shopping Centers reflects a 3% increase in the amount of shopping centers defining themselves as "anchorless". The 1989 Operating Cost Analysis Report issued by the

ICSC indicates that 18% of the total sample of shopping center developers polled placed their developments under the survey category of "Are Not Anchored".¹²⁶ In comparison, in the 1987 edition of the same survey, 15% were considered "Are Not Anchored".¹²⁷

Current Alternative Forms of Retail Center Design Which Attempt to Recreate the Draw of a Anchor Tenant

A review of how developers are currently attempting to recreate the locational and consumer draw of an anchored retail center through means other than a large department store will be useful in creating a framework for the development of future anchorless retail centers. In order for the retail centers to be economically viable, it is critical that a level of consumer traffic necessary to sustain the development be developed.

Cinema Complexes which are centered around four to eight screen theaters represent one of the growth areas in alternative retail center designs. The growth in the development of these types of centers reflects the desire on the part of the development community to create a specific use facility as a locational draw to replace the traditional anchor store. The most noted Cinema Complexes include the Cineplex Odeon in the Century City project in Los Angeles and the Fox Cinema

prototype proposed for New Jersey.¹²⁸

Mini-Theme Park Complexes also attempt to create the locational draw of a traditional anchor store through an alternative design approach. While it is difficult to isolate one particular theme that is used by the different types of complexes, the one factor that remains constant is the attempt to create consumer traffic to the complex through a collection of "attractions". The more classic example of a retailing draw developing from the use of "attractions" is Village Square area in Cincinnati. In Village Square, traditional types of carnival rides and games are used as a supplement to create draw for potential customers to an area historically known for retailing.

In contrast to the older complexes, other types of Mini-Theme Park Complexes focus more upon the main emphasis of the "attractions" with retail being developed as a sidelight. Examples of these types of complexes include the prototypical Skywalker Entertainment complex currently being pursued by Lucas Enterprises. The Skywalker Entertainment complex is a collection of special effects/black box types of interactive games proposed for the Houston area.¹²⁹ Others similar types of complexes include the MCA/Universal City complex featuring tours of the movie facilities¹³⁰, Rockopolis which is a rock and roll

museum contained within a pyramid structure currently proposed for the Memphis area¹³¹ and, the Disney and MGM theme parks located in California and Florida.¹³² It should be noted that while these types of facilities may prove instructional in discerning retail industry trends, the complexes only provide limited insight into the development of anchorless retail centers.

General Entertainment Districts also represent a retail design type currently growing in popularity within the development community. These types of areas are generally comprised of individual entertainment facilities including live performance clubs and discos. Typically, retail and food services locate immediately adjacent to these individual clubs and discos which in turn creates the entertainment district. Examples of General Entertainment Districts include the Dallas Alley area located in Dallas, the Hollywood Center/Mann's Theatre district in Los Angeles, Church Street Station in Orlando, Florida and, the proposed Yerba Buena Gardens in San Francisco.¹³³

Food Theme Complexes are also starting to develop as an alternative locational draw concept. The developers of Food Theme Complexes feel that a high traffic environment can be created through the combination of different types of food service facilities. The volume of traffic created will then

develop the customer draw necessary to sustain a significant amount of retail facilities.

Food Theme Complexes can take two forms: Restaurant Centers and Gourmet Food Centers. Restaurant Centers usually consists of a grouping of restaurants representing various cuisines and price points. Perhaps the most famous of these types of centers is The Borgata located in Scottsdale, Arizona. Also widely known as a successful anchorless retail center, The Borgata reflects how the insightful clustering of different types of restaurants can create the consumer draw needed to sustain an entire retail complex.¹³⁴

In comparison, Gourmet Market Centers provide an offering of retail food services based on an upscale theme. A wide variety of Gourmet Market Centers exist ranging from upscale food courts located in Festival Centers such as Faneuil Hall to entire upscale grocery store complexes located in various regions across the country. In many ways, Gourmet Food Complexes represent an upscale surrogate "food hall" environment with food offerings such as fresh bakeries, gourmet ice cream and yogurt shops, fresh pasta, regional cuisines and raw bars. The Gourmet Market Complex concept has gained such strong interest as an alternative retail design that large companies such as the R.J. Reynolds Development Corporation have created and studied

prototypes for possible national development. Known as "The Fresh Place", the proposed marketplace of approximately 60,000 square feet will feature fresh and gourmet foods, a complete in-store bakery, and demonstration areas for the preparation of foods.¹³⁵

A Framework for Developing Clusters of Uses Which Create an Equivalent Locational Draw of an Anchor Tenant

The "Best-Fit" and "Triad Testing" Approach

With changing buying habits on the part of American consumers and definitive trends within the retailing industry, it is in the best interest of the developer of an anchorless retail center to devote a significant amount of pre-planning into the eventual cluster of uses which will occupy the center's space. Developing an most effective framework for evaluating this eventual cluster of uses requires the consideration of several factors within a "Best Retail Project" scenario. The "Best Retail Project" criteria draws upon theories which underscore the Corporate Strategic Planning Model emphasized in management schools. This criteria utilizes three factors in determining what the "Best Retail Project" is-- Site and Use Concept, Core Attractors and Retail Stores, and Financial Feasibility of the Project. (Exhibit 1) This type of strategic planning method provides a developer of an anchorless

retail center with an objective approach in searching for the most competitive and "Best Retail Project" for a future development.¹³⁶

In addition to the definition of "Best Retail Project", the Corporate Strategic Planning Model includes a three level testing process known as "Triad Testing" which introduces critical objective factors for consideration when formulating future retail projects. During each phase of the project, a developer should spend the time necessary to run a quick Triad Test to insure that the project is continuing under conditions that are consistent with the original assumptions made. The use of Triad Testing involves the continuous evaluation and reevaluation of project factors within a "quality control circle". Exhibit 2 illustrates the Triad Testing Model and the various factors that a developer needs to consider in evaluating any new project.

Another important model of testing which should be applied at various stages of the anchorless retail center design process is the Developer Design Review model. Under this model set forth in Exhibit 3, the developer establishes a concept evaluation process which imposes a level of review at several critical times during the development process. These reviews insure that the original design and use goals of the anchorless

retail center are being met or are being modified in such a way that the original design intent is being served.

Site and Use Concept

The first area of consideration for a developer of an anchorless retail center are the site and use concepts to be used in the project. While there are a variety of site and use possibilities a developer could consider for an anchorless center, there are only a handful which have proven to be successful. When considering the site and use concept, the developer must keep in mind the unusual challenge represented by an anchorless center: that significant traffic flow must be created without the benefit of the locational draw of an anchor store tenant.

Obviously, there are site and use limitations which exist with every possible site being considered for future retail development. With anchorless retail centers, these limitations are likely to be even more imposing which is probably the reason an anchorless design was chosen in the first place. Site and use limitations range from the restraints that exist due to the sheer physical capabilities of the development to the limits imposed by the applicable state and local zoning regulations. An important additional restraint

is the limitation imposed by the consumer demands of the local market. Regardless of how high the per capita income of an area is, there exists a finite amount of retailing that the area can sustain. Anchorless retail centers are extra sensitive to limits of the local market since successful levels of sales in all retail stores is necessary to create the synergy of the center.

It is absolutely necessary from the beginning of an anchorless retail center project that the developer determine how much physical space will be available. By determining this amount, a developer can then proceed with deciding upon which Core Attractor the project will utilize and the complimentary retail tenant mix. After these preliminary decisions are made, the developer can then proceed to configure the center and determine its financial feasibility.

Core Attractors and Retail Stores

Core Attractors

The decision regarding what the "Core Attractors" will be within an anchorless center is one of the earliest and most critical choices facing a developer. The development of successful Core Attractors is essential in creating the locational and consumer draw

necessary to sustain an unanchored retail center. Core Attractors are defined as consumer traffic building devices strategically located within a retail center. In anchored retail centers, the Core Attractor is the Anchor Store or the Key Tenant. In Festival Centers, the Core Attractor is usually the center itself with it's historical background or unusual location.

Core Attractors in anchorless retail centers can take many different forms. Included in this list would be the very obvious combination of the most effective retail stores working together. In addition, the successful examples of the types Core Attractors creating locational draws for developers who have already put them in use are Cinema Complexes, Mini-Theme Parks in an established areas for retail, General Entertainment Districts, and Food Theme Complexes (including both Food Retail and Food Service). An expanded list of Core Attractors includes activities growing in popularity amongst the general population such as Cultural/Performing Arts and Home Improvements and Decoration.

While there are significant advantages and disadvantages to each of the possible Core Attractors, one thing is obvious: under the right circumstances the activities or combination of activities will create the consumer and locational draw necessary to sustain a

significant amount of retail activity. The selection of a Core Attraction is dependent upon a number of factors ranging from the maximum efficiency in creating locational draw to the economic feasibility of the activity or combination of activities.

Each general Core Attractor group can be further broken down into subcategories representing different activities contained within the group. For example, under the Entertainment Core Attractor group, the subcategories include restaurants, bars/live performance clubs/discos, interactive games, rides and arcade games, exhibits and museums, scheduled events such as performing arts and, artisans and demonstration exhibits. Similar types of subcategories can be developed for the other Core Attractor groups. Exhibit 4 provides a list of the Core Attractors, a detailed breakdown of the subcategory of uses contained within each Core Attractor, a ranking of the locational draw effect of each use and, the range of minimum square footage necessary for each use.

A number of the Core Attractor subcategory uses have several different elements represented within them. For example, the subcategory of restaurant uses would in most likelihood not be limited to a single restaurant. A developer should attempt to create a combination of restaurants which would enhance the locational draw for

many different types of consumers. In the subcategory of retailing, the various types and combinations of uses is significant. Exhibit 5 describes in detail the various uses contained within each of the subcategories.

In some cases the Core Attractor itself can be a single activity such as with a Cinema Complex. In most cases however, the Core Attractor activities from several different groups can be combined to produce a synergy within the anchorless retail center. This kind of synergy can also be produced with the right combination of Core Attractors and related retail shops. This synergy results in a cross-subsidizing economic affect as the customers from one segment of the anchorless center are influenced by others. Exhibit 6 documents the the synergy created through the interdependency of the different types of uses. Within the entire center, each use has a unique dependency and cross-sales relationship to another. The resulting synergy affect contributes and subsidizes other uses as additional levels of economic support are created. The highest overall degree of synergy created will undoubtedly result in the maximum consumer draw to a specific location. In evaluating different combinations, it is obvious that some uses compliment some better than others. In many cases there are natural "fits" of uses consistent with the surrounding areas demographics.

Retail Stores

After the decision of what type of Core Attractor will be used to create the locational draw to an Anchorless Retail Center, the next step for a developer is to determine the correct retail store mix for the center to draw at maximum efficiency. The most successful Anchorless Retail Centers in creating consumer traffic thus far have been based on the synergy created by a combination of top retailers and stores. Some anchorless retail centers such as the Saddle Creek Center located in Germantown, Tennessee have been successful in creating the necessary traffic flow from their inception.¹³⁷ Other anchorless centers such as the Atrium are still waiting for the main draws in their centers to create customer traffic. New England Development, the developers of the Atrium see the recent opening of the high-fashion Henri Bendel store as providing the key factor in developing the level of traffic necessary to sustain the center. The delayed opening of Henri Bendel has resulted in a lower than expected sales during the Atrium's first year of operation.¹³⁸

A developer hoping to create a tenant-mix where all of the retail stores and other uses within an

anchorless design work together must carefully evaluate the types of stores and uses desired. Consideration must also be given to the feasibility of the tenant-mix in light of both the capabilities of the center and the needs of the local market. The information regarding the various types of uses and square footage requirements of retail stores and associated food services set out in Exhibit 7 is essential to a developer who is attempting to create the appropriate tenant-mix given the size and use limitations of the proposed anchorless center.

One very distinct possibility for developers of anchorless retail centers in the future is a "Market Niche" approach to tenant-mix and merchandising. (Exhibit 8) With the upscale anchorless retail centers serving affluent areas being the most successful examples of the anchorless design thus far, there is good reason to believe that a similar following can be created in an anchorless center targeted at a specific market. It is possible that an anchorless retail center can be developed around a family oriented theme with the Core Attractors and retail stores all specifically focused at various members of the family. Approaching anchorless retail centers from a Market Niche strategy expands the number of markets away from just affluent areas as well as creates a sizeable range of possible locations. A drawback to the Market Niche approach is

while affluence no longer remains a critical factor, a densely populated Target Area is still required.

Financial Feasibility of the Project

The final factor in the "Best Retail Project" model is the testing of the Financial Feasibility of the Project. It is very important that a pre-development financial feasibility of a proposed anchorless retail center be conducted since this type of study will inform the developer if the anchorless retail center should proceed as planned given the various financial factors influencing the project. The format for testing the financial feasibility of an anchorless retail center is similar to the format used to test the viability of most retail projects. With anchorless retail centers a base assumption must be made that the Core Attractors and the synergy of the development will create the level of customer traffic flow necessary to sustain the center. From that point, the financial feasibility testing of the anchorless retail center can proceed in much the same way as a general retail center.

Financial Feasibility analysis begins by examining the target market support of an anchorless retail center's proposed location. A fundamental decision must be made whether the anchorless retail center will focus on a specific Market Niche or whether

the aim of the project will be to the general public. If the choice is made to target the anchorless retail center at a specific Market Niche the developer must select a Core Attractor and develop an effective retail tenant-mix that is consistent with that goal prior to conducting a financial feasibility test. The developer must make these decisions prior to the analysis because it is likely that more specific information will be required before the financial feasibility of the anchorless center can be determined. The Financial Feasibility analysis conducted under the Market Niche approach require an evaluation of both the general retail market conditions of the proposed target area as well as the individual consumer purchasing habits of the market receiving focus. Both types of information are critical in determining the financial feasibility of a retail center with such a precise focus.

In contrast, if the proposed anchorless retail center will attempt to appeal to entire general public as its potential market area, the financial feasibility analysis will undoubtedly be much broader in scope. The target market support of this type of anchorless retail center will depend highly upon the overall acceptance of the center by the community.

After the complete analysis of the tarket market support existing within the surrounding area, a

pre-development financial feasibility study of the entire anchorless retail center should then be conducted by the developer. This analysis will include the development costs and revenue effects and of the Core Attractor, the retail tenant-mix and the supporting features and facilities. Typical of this type of analysis is the three-step format of Base Case, Pro Forma Format, and Return Measures set forth in Exhibit 9.

CONCLUSION

Significant trends within the shopping center development and retailing industries exist which dictate that shopping center developers should carefully consider the option of an anchorless design with their future projects. While the success record of anchorless retail centers has been mixed, there are enough anchorless centers with histories of solid profitability that these centers can be a reasonable alternative for developers facing the constraints surfacing due to changes within society as a whole as well as communities in specific.

Research within this paper indicates that with careful planning an anchorless retail shopping center can be created which will have the same locational draw of a fully anchored development. The source of this type of locational draw can be from a number of different core attractions and a well-formulated tenant-mix. A developer contemplating an anchorless design must spend the time and resources necessary in fully evaluating this option. Much of the pre-planning used in considering an anchorless design will later prove to be invaluable in the ultimate success of the project.

An anchorless retail shopping center design may still be considered too radical for many developers. Nevertheless, if the current trends in retailing and shopping center development continue, the role of the anchorless design will ultimately become a necessity rather than a choice. For the innovative and creative developers of retail shopping centers, the anchorless design has already proven to be a viable option.

Best Fit For Anchorless Retail Centers



Triad Testing For Anchorless Retail Centers

Conceptual

- Market Niche or General Focus
- Core Attractors
- Retail Tenant Mix
- Site Capacity

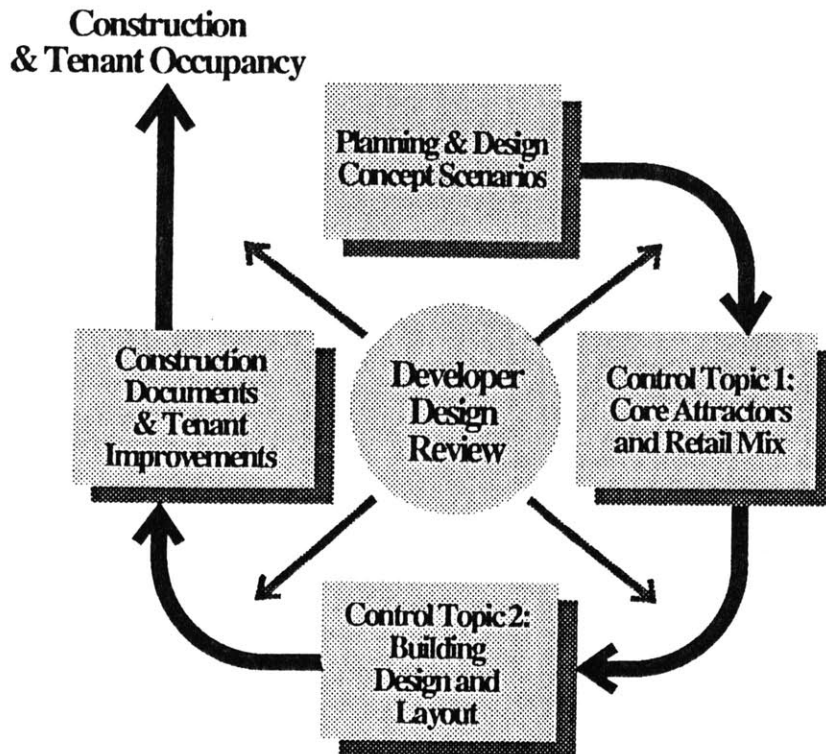
Financial

- Target Market Support
- Pre-Development Feasibility
- Financing Options
- Capital Requirements

Implementation

- Civic Approvals
- Marketing Plan & Strategy
- Synergy of Mixed-Use

EXHIBIT 3



Control Sessions For Retail Development

EXHIBIT 4

<u>CORE ATTRACTORS</u>	<u>SUBCATEGORIES</u>	<u>DRAW</u>	<u>MINIMUM S.F.</u>
Entertainment	* Restaurants	High	20,000 S.F.
	* Bars/Dance Clubs	High	25,000 S.F.
	* Interactive Games	Unknown	3-5,000 S.F.
	* Carnival Rides/ Amusement Games	High/ Medium	10-30,000 S.F.
	* Exhibits/Museums	High	5-50,000 S.F.
	* Planned Events	Medium	1-5,000 S.F.
	* Artisan Demonstration	Medium	1-5,000 S.F.
Cinema Complex	* Four Screen	Medium	15,000 S.F.
	* Eight Screen	Medium	25,000 S.F.
Food Retail	* Local Farmers Market	High	12-15,000 S.F.
	* Market Hall	High	12-15,000 S.F.
Restaurants	* Family Oriented	High	7-10,000 S.F.
	* Premium Sit-Down	Low	5,000 S.F.
	* Cafe/Bistros	High/ Medium	3-5,000 S.F.
Retail	* Fashion	High	5-10,000 S.F.
	* Gift	Low	1-3,000 S.F.
	* Home Decor	Medium	3-10,000 S.F.
	* Lifestyle	High	2-10,000 S.F.
	* Leisure	High	5-15,000 S.F.
	* Convenience	Low	2-5,000 S.F.
	* Food Retail	High	1-3,000 S.F.

EXHIBIT 5

<u>CORE ATTRACTOR: SUBCATEGORY</u>	<u>DESCRIPTION OF USES</u>
Entertainment: Exhibits/Museums	<ul style="list-style-type: none">* Children's Discovery (1)* Science (1)* Aquarium (1)
Food Retail: Local Farmers Market	<ul style="list-style-type: none">* Local Green Grocer (1)* Special Energy and Quality Level (1)
Food Retail: Market Hall (2) (Stylized and subleased using architectural shell and signage to create the illusion of a Market Hall)	<ul style="list-style-type: none">* Fresh Bakery* Produce* Deli* Meats and Poultry* Pasta* Wine* Gourmet Teas/Spices
Restaurants: Family Oriented (2)	<ul style="list-style-type: none">* Theme* Various Price Points* Design
Restaurants: Cafe Bistros (3)	<ul style="list-style-type: none">* Grills* Ethnic* Bakery/Deli
Retail: Fashion	<ul style="list-style-type: none">* Childrens (3)* Shoe Stores* Cosmetics/Perfumes* Guild Jewelry (3)* Handcrafted Jewelry* Mens Ready To Where* Ladies Ready To Where (1)* Sportwear (1)* Swimwear
Retail: Gift	<ul style="list-style-type: none">* Artisan Crafts (1)* Cards/Stationary* Luggage
Retail: Home Decor	<ul style="list-style-type: none">* Import* Bed & Bath* Prints & Frame Shop* Flowers/Plants* Furniture/Housewares* Appliances

Retail: Lifestyle

- * Records/Tapes (1)
- * Videos (1)
- * Art Materials
- * Bookstores (1)
- * Travel Services

Retail: Leisure

- * Hobby
- * Toys (3)
- * Sports Equipment (3)
- * Athletic Shoes

Retail: Convenience

- * Hardware (1)
- * Drugstore
- * Shoe Repair
- * Laundry
- * Financial
- * Office Supply
- * Doctors Office
- * Dentists Office
- * Insurance
- * Optomologist

Retail: Food Retail

- * Wine (3)
- * Ice Cream
- * Food Court (1)

Notes:

- (1) Single use has significant effect on locational customer draw for entire facility.
- (2) Whole subcategory has positive effect on locational customer draw for entire facility.
- (3) Single use has medium effect on locational customer draw for entire facility.

EXHIBIT 6

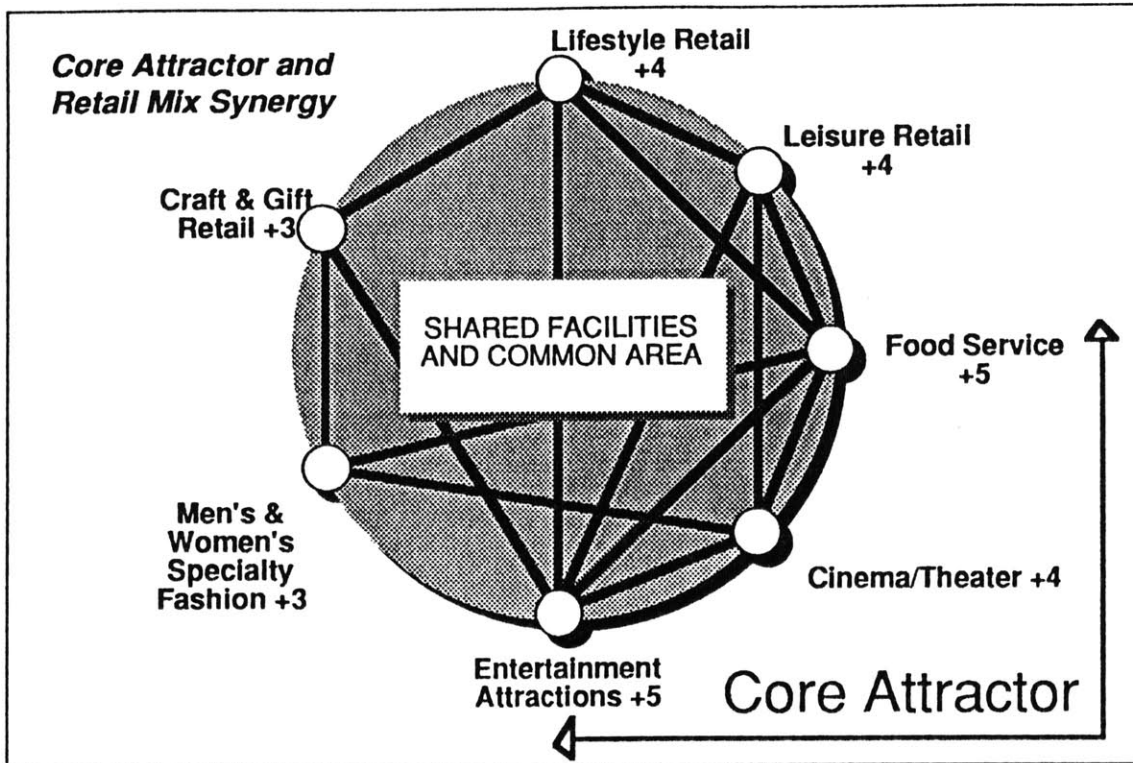


EXHIBIT 7

RETAIL AND FOOD SERVICE USES

Square footages included are approximates and should only act as a guide when merchandising plans.

<u>EAST FOOD</u>			
Juice	400-600	Bagels/Pretzels	300-400
Yogurt	500-800	Greek/Mid East	400-600
Raw Bar	800-1200	Chinese	"
Ice Cream	400-1000	Hungarian	"
Italian Pizza/Grinders	400-600	Mexican	"
German	"	Fresh Pasta	"
Soul	"	Delicatessen	"
Baked Potato		Hot Dogs/Hamburgers	
Pasta/Charcuterie		Soups & Salads	
Raw Bar	300-600	Coffee & Pastry	
Sushi Bar	600+	Sandwiches	

<u>RESTAURANT</u>			
Cafe	1500-5000	Tablecloth (full menu)	5000-7000
Theme Bar	4000-6500	Ice Cream Parlor	1500-2500
Bookstore/Cafe	5000-7000	French Restaurant	4000-7000
Cocktail Lounge	3500+	Japanese Restaurant	"
Greek	1500-2000	Seafood Restaurant	"
Amerian Regional	2000-5000	Traditional Steak House	2000-4500
Northern Italian	3500	Northern Italian	1500-3500
Chinese	1500-2000	Indian	1500-2000
Healthy Food Restaurant	1000-2000	Grillage	1500+
Mexican	1500+	Vietnamese	
French Bistro	1500+	Greek Taverna	
Charcuterie	800+		

<u>ADDITIONAL USES</u>			
Candy/Nuts	400-600	Farmer's Market	1800+
Candies	300-600	Produce Market	1800+
Cookies	300-600	Charcuterie	1500-2000
Dried Fruits & Nuts	300 +	Wine Shop	1500+
Coffee/Tea/Spices	300-500	Wines/Liquors	1500-3000
Chocolates	300-600	Delicatessen	3000+
Cheeses	800-2000	Supermarket	6000-45000
Gourmet Foods	1500-3000	Fresh Pasta (Gourmet Foods)	600-2000
Bakery	1500-2000	Health Foods	800-1500
Greengrocer	1800+	Breads	500-600
Fresh Meats/Fish	1500	Bakery-Patisserie	
Butcher	1500	Gourmet Groceria	12000-25000
General Store	1500-2000	Wine Bar	

<u>FASHION</u>			
Women's Sportswear	100-5000	Designer Fashions	1000-1500
European Men's & Women's	1500+	Sweaters & Knitwear	500-1000
Preppy Fashions	1500+	Westernwear	1500-2000
European Women's Knitwear	1000-1500	Irish Woolens	800-1500
English Prints & Fabrics	1200-2000	Dancewear/Hosiery	600-800
Maternity Shop	1000-1500	Maternity	1200-1500
WRTW Contemp. Career Apparel	1200-2500	Formalwear	1500+
MRTW (Designer-Traditional)	1200-6000	Jeans	1500-2000
Men's Shoes	1500-2000	Sportswear/Men/Women	1500+

Designer Fashion Shoes	1500-2000	Rainy Day Clothing	300-500
Women's Shoes	1500-2000	Leather Fashions	1500
Shirts/Ties	1000-1500	Family Shoe Store	1500-2000
Casualwear/Men & Women	2000-3000	Athletic Shoes	"
Activewear	900-1500	Petite Fashions	1200-2000
Formalwear	1500-2000	Plus Sizes	"
Coordinates	1000-1500	Children's Apparel	1000-2000
Eurosport	1200-1800	Fun Fashions	1200-1800

ACCESSORIES

Perfume/Cosmetics	350-1000	Canvas Bags & Totes	500-1000
Handbags	600-800	Haberdasher	1500
Accessories	600+	Hosiery	300-500
Gloves, Belts & Scarves	400-600	Cosmetics	500-1000
Leather/Luggage	600-1500	Lingerie	600-1000
Fashion Eyewear			

JEWELRY

European Jewelry	1000-2500	Contemporary Jewelry	
Guild Jewelry	2000-3000+	Handcrafted Jewelry	600-1000
(fine jewelry, crystal & china)		Credit Jewelry	1000-1500
Estate Jewelry	600-1000	Fine Watches	500-750
Antique Jewelry	"	(Honore) Type Jewelry	600
Fashion Jewelry	"	(antique, contemporary estate & antique)	
Vogue Jewelry	"		

SERVICE

Barber	1000+	Photography Studio	1000
Hair Stylist	1000	Office Supply	1500-3000
Optician	1000	Fine Custom Stationer	800-1000
Dry Cleaner/Laundry	1000-1500	Pipes/Tobacco	1000-1500
Bank	4000+	News/Tobacco	500-1000
Automatic Teller (24 hour)	350	Copy Center	600
Keys	100	Florist/Plants	600-1000
Shoe Shine Stand	50-75	Car Rental	400-500
Travel Agent	500	Tailor	1000
Museum Store	1500-2000	Phone Store .	1500-2000
Hardware/House Decor	2000	Shoe Repair	600
Vitamins & Health Foods	750-1200	Film/Camera	600
Apothecary/Pharmacy	3500+	Ticketron	100-200
Drugs & Sundries	1500	Sundries	1000+
Health & Skin Care Salon	1000-1500	Figure Salon	2000+
Sun Tanning	500-1800+	Air Ticket Office	600
Video Rentals	1000-3000	Stationery for Business	
Cards/Stationery	1500	& Home	1000-2000

LIFESTYLE - ARTS

Hobby/Crafts	1500+	Art Gallery	1500-3000
Artist Supplies	1500-2000	Sculpture Gallery	1500-3000
Artisan's Co-op	2000-3000	Arts/Crafts	1500-2000
Pottery/Crockery	1000-1500	Bookstore	2000-4500
International Crafts & Gifts	1000-2000	Art Prints & Framing	1500-2000

SPORTS & ACCESSORIES

Pro Shop	1500+	Typical Sporting Goods	2500-7000
Racquet/Ski/Swim	2500+	Major Sporting Goods	10000-25000
Hunting & Fishing	1000-2000	i.e. EMS, Herman's	
Athletic Shoes	1000+	Abercrombie & Fitch	
Sports Gift Shop i.e. Whalers	1500-2000		

<u>LIFESTYLE - GIFTS</u>			
Soaps & Scents	600-1000	Brookstone	3000
Toys/Games	1500-2000		(2200 w/mezz.)
Lighter Shop	300	Chandlery/Candles	1200-1500
Watch Shop	300	Brass & Crystal Gifts	400-1000
Apothecaria	1500-2000	Brass & Pewter Gifts	400-1000
Jam/Jellies/Soaps	600-1000	Party Supplies	1000+
Leather/Luggage	600-1500	Cards & Gifts	1500-3000
Sea Shell Shop		Kites	600
& Tropic Jewelry	300-500	Candle Shop	1000+
Clocks & Other Time Pieces	1000+	Music Boxes	500+

<u>LIFESTYLE - HOME</u>			
Tabletop	1200+	Tools & Hardware	2500-3500
Fine Cutlery & Kitch. Gadgets	600-1000	China/Glassware	1500-2000
Cookware/Housewares	1800-4500	Bedding & Linens	1500+
Glassware	750-1500	Buttons	300
Bath Shop	800-1500	Sewing Machine	1500-2000
Fabric/Notions	1000-3000	Yarn Shop/Needlepoint	1000-1500
Fabrics & Wallhangings	1000+	Clock Shop	1000-2000
Furniture (Scandanavian	5000+	Paint/Wallpaper	2000
antique, contemporary)		Garden Shop	2000+
Flowers/Plants	600+	Music Boxes & Clocks	500-800
Small Furn. & Accessories	1500-2000	Antique Collectives	2000-4000
Knock-down Furniture	1000-1500	Silk & Dried Flowers	600-1000
Wicker & Seasonal Furniture		Lighting Store	1500
& Accessories	1500-2000	Tabletop (Linens & Access.)	1000-1500
Oriental Carpet Gallery	1000+		

<u>LIFESTYLE - MUSICAL/ELECTRONIC</u>			
Records/Stereo & Electronics	2000-4000	Computer Store	1500-2000
Camera/Video	800-1200	Pianos/Musical Instruments	2500-3500
Camera/Film	600-1000		

<u>CRAFTS & ANTIQUES</u>			
Parfumerie	300-400	Handmade Woolens	500-600
Leather Crafts	500/CART	Wooden Toys & Sculpture	500/CART
Handcrafted Jewelry	500+	Handthrown Pottery	
Handmade China & Glassware	500-1000	& Ceramics	500+/CART
Handmade Pillows	500+/CART	Miniatures & Collectibles	500/CART
Doll House Furniture	500	Grandfather Clocks	
Antique Dolls	500/CART	& Timepieces	500-1000
Antique Nautical & Meteorology	500-1000	Rare Books & Signed	
Collectible Records		Letters & Prints	500-1000
& Phonographs	800	Puzzles & Magic Tricks	500/CART
Puppets & Clowns	500/CART	Train & Hobby Shop	500/CART

<u>CHILDREN</u>			
Children's Apparel	1500	Bicycle Shop	1500+
Children's Toys	1500	Toys & Kites	500-800
Stuffed Animals	1000-1500	Children's Books	500-1000

<u>ENTERTAINMENT & HEALTH</u>			
Health Club	10000-25000	Exercise Clubs	10000-15000
Cinema (movie theatre)	2500-5000ea	(Racquet Ball Courts) 20ft. high - 800 sf	
Dinner Theatre (24 seats-76 seats)			

<u>MISCELLANEOUS</u>			
Auto Bank Teller	100-200	Auto Repair Center	10000
Bank	1500+	Gas Station	1500-3000
Stock Brokerage Firm	---		

EXHIBIT 8

MARKET NICHE

TYPES OF USES

Family

- * Childrens Clothing
- * Toys
- * Ready To Wear
- * Sportswear
- * Cinemas
- * Hobby
- * Sports Equipment
- * Family Restaurant

Young Professionals

- * Food Market Hall
- * Ready To Wear
- * Jewelry Stores
- * Artisan Crafts
- * Bookstores
- * Travel Services
- * Sportswear
- * Records/Tapes

Upscale

- * Premium Restaurant
- * Cafes/Bistros
- * Food Market Hall
- * Fashion Clothing
- * Cards/Stationer
- * Luggage
- * Wine Store
- * Bookstores

Mature Adolescent

- * Hair Salons
- * Swimwear
- * Sports Equipment
- * Records/Tapes
- * Video
- * Sportswear
- * Jewelry
- * Prints/Framing Shop

Anchorless Retail Center Pre-Development Financial Feasibility

Base Case	Pro Forma Format	Return Measures
<ul style="list-style-type: none"> • Format Retail Use Model: Use Sectors, Cross-Subsidy Uses, Share Costs and On-Site Phasing Carry • Run Ball Park Development Costs with Alternative Density and Coverage Assumptions • Identify Public/Private Financing Potentials • Use Current Operations as "Base Case" Evaluator of Subsequent Project Scenarios • Array Revenues by Use Type against Existing Market Comparables 	<ul style="list-style-type: none"> • Project Realistic Lease-Up & Occupancy Dates • Project Realistic Eleven Year Pro Forma Scenarios with Assumptions Used to Forecast Revenues • Establish Add-On Revenue Premiums: Percentage Rents, Enhanced Rollovers • Determine Highest Possible Residual Land Value Based on Project Sale at Capitalized NOI • Catalogue All Financing Assumptions • Identify Debt Service Ratios & Cash Flow Reserve for Multi-Phase Projects 	<ul style="list-style-type: none"> • Include Allowances for Extraordinary Fix and Approval Costs • Establish a "Lease vs Own" Model based on Capital Requirements and Financing Sources • Identify Market-Driven Operating/Vacancy Assumptions • Do Risk and Sensitivity Analysis at 10%, 15%, 20% Capitalization Rates

ENDNOTES

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¹¹ Urban Land Institute, Shopping Center Development Handbook, 1st ed., 7.

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